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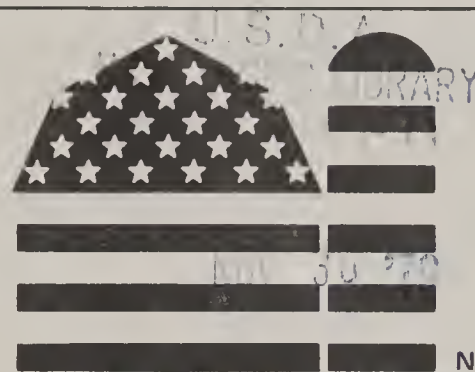
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# FARMERS' NEWSLETTER

## Livestock

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November 79/L-14

For cattle feeders, 1979 has been a year of contrasts and extremes. Normally, the following would suggest a bullish price situation:

- Fewer cattle going into feedlots-- During July-September, 5,952 million cattle were placed in feedlots, 19 percent under a year ago and the fewest for this period since 1976.
- Reduced marketings--5,981 million head were marketed, fewest for the third quarter since 1975.
- Record feed grain and soybean production--A corn crop of 7.4 billion bushels, total feed grain output a record 224 million tons, and 2.2 billion bushels of soybeans are forecast.

Reduced placements and marketings and record grain and soybean harvests normally signal stronger fed cattle prices and lower feeding costs. However, a closer look at the situation reveals a less favorable outlook.

### Heavy Cattle Still Fill Feedlots

While third quarter marketings were at their lowest level in several years, a large number of heavy cattle were available for marketing on October 1.

Even though 13 percent fewer cattle were on feed October 1, an increased share of these cattle were steers and heifers in the heavier weight groups normally marketed during the fourth quarter:

- PROCUREMENT SECTION  
CATTLE RECORDS
- Feedlots contained 11 percent fewer steers than a year ago, but 11 percent more weighed over 1,100 pounds, and only 4 percent fewer were in the 900-1,099 pound group.

- There were 16 percent fewer heifers on feed, but only 1 percent less in the over-900-pound category.

Feeders have already sent many of these cattle to market. However, 900-1,100 pound Choice steers at Omaha fell from \$69 per hundredweight in early October to \$63-64 at midmonth.

Feeders must keep marketings current to avoid the lower price pressures of excessively finished cattle, which cost much more to feed per pound of gain.

### Feeder Cattle Supplies Remain Ample

Cattle placements dropped sharply in the third quarter. Feeder cattle supplies are adequate and may be near year-earlier levels in the fourth quarter.

For one thing, slaughter of steers and heifers directly off grass is way down, 60 percent below the 1978 level. As a result, about 1 percent more steers and heifers weighing over 500 pounds were

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Principal contributor to this issue:  
Ronald A. Gustafson (202) 447-8470

CATTLE ON FEED DOWN SHARPLY  
FROM A YEAR AGO

Item	1976	1977	1978	1979	1979 as % of 1978
1,000 head					
Total on feed . . . .	9,282	9,793	11,347	9,928	87
Steers and steer calves . . . . .	5,914	6,319	7,486	6,688	89
Less than 500 lbs. . . . .	181	343	577	493	85
500-699 lbs. . . . .	1,005	1,123	1,236	904	73
700-899 lbs. . . . .	2,129	2,404	2,593	2,246	87
900-1,099 lbs. . . .	2,108	2,060	2,529	2,432	96
1,100 lbs. and over . . . . .	491	389	551	613	111
Heifers and heifer calves . . . . .	3,327	3,438	3,825	3,201	84
Less than 500 lbs. . . . .	315	350	375	286	76
500-699 lbs. . . .	1,046	1,124	1,124	864	77
700-899 lbs. . . .	1,367	1,492	1,573	1,307	83
900 lbs. and over . . . .	599	472	753	744	99
Cows and other . . .		36	36	39	108

Data are as of October 1.

available for feedlot placement on October 1.

Also, the July 1 count showed 907,000 fewer feeder calves weighing under 500 pounds. Calf slaughter is down by 290,000 this year, and 173,000 fewer calves were in feedlots on October 1. Therefore, the reduction in calves outside feedlots on October 1 was less than expected a few months ago.

Poor Feeding Margins and Good Pasture Caused  
Drop in Placements

Cattle marketed from feedlots during September-November were placed on feed this past spring when feeder cattle prices were at their peak.

As you know, feeders haven't been breaking even on these cattle. Therefore, they've been reluctant to move more cattle into feedlots.

However, as cattle go off grass this fall, feedlot placements should pick

up. Grazing in parts of the Central and Southern Plains already had deteriorated during September and October due to dry weather.

Should dry weather persist, poor wheat grazing prospects would push more cattle into feedlots this fall.

Feeding Costs Will Stay High

Corn prices have eased off with harvest, but they'll remain well above year-earlier levels. For the marketing year begun in October, corn prices at the farm are forecast to average \$2.35 to \$2.65 a bushel. That is up from \$2.20 last year.

This strength reflects rising export demand and an expected gain in feed use.

You may notice, however, a wide margin between prices at the farm--particularly at more interior points--and quotations at the major markets, as the record harvest moves through the system.

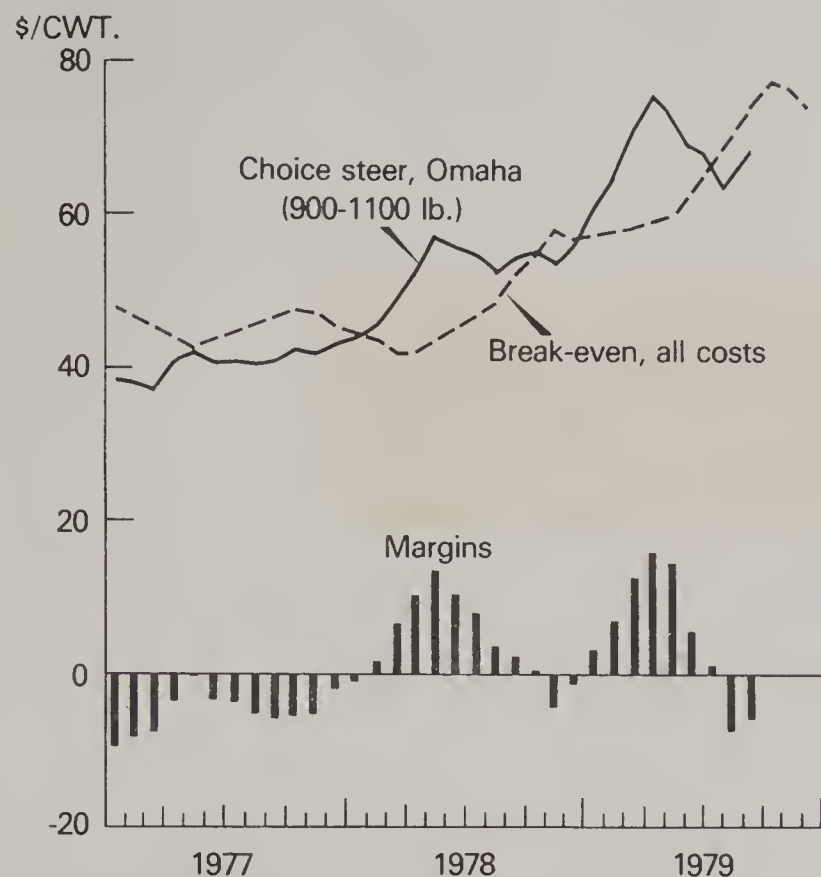
Feeders in some corn growing areas will find corn prices much lower than elsewhere--particularly if transportation and storage for surplus grains are not readily available. Feedlot lot operators able to find less expensive grains may be encouraged to feed more cattle and take them to heavier weights this fall and winter.

It's true that fed cattle prices may rally near yearend as the large supplies of heavier cattle are worked off. However, withholding market-ready cattle in anticipation of higher prices--as producers apparently did in late September and October--would only serve to hold down prices for a longer time.

Also, cattle you place on feed this fall may enter at considerably heavier weights than usual due to ideal grazing conditions this summer



## PRICES ARE BELOW BREAK-EVEN



Selling price required to cover costs of feeding 600 lb. feeder steer to 1,050 lb. slaughter in Corn Belt

that permitted good gains on grass. Accordingly, these cattle may be ready for market after a shorter than usual feeding period.

### Bigger Meat Supplies To Affect Beef Prices

Pork production this fall is up as much as 20 percent over a year ago and will continue above year-earlier levels through next summer. Broiler output also is large. In other words, both broiler and pork production are expected to reach record or near-record levels through the first half of 1980.

Supplies of pork--and to a lesser extent broilers--do not strongly affect beef prices. Nonetheless, the record red meat and poultry supplies expected over the next 9-10 months, and a cooling economy, will hold down beef price increases.

Even so, it looks now that beef prices will increase only moderately from the end of this year through most

of 1980 because of the increased competition and slowing economy.

### Watch Feeder Costs

Lower feeder cattle prices are likely this fall, particularly if adequate wheat grazing fails to develop. The table below provides a guide as to how much you can pay for feeder cattle and still break even, given various corn and fed cattle prices.

In any event, carefully weigh the cost of feeding lighter weight cattle against the cost of buying heavier ones and putting on less gain.

Feed costs have been averaging about \$50 per hundred pounds of gain; slightly higher for yearlings and lower for the more efficient gaining calves. In September, 600-700 pound feeder steers cost about \$85 per hundredweight, while 400-500 pound feeder steers cost about \$105.

Therefore, a 650-pound yearling would cost about \$550; the 450-pound feeder calf about \$475.

However, if you market both at 1,050 pounds, only 400 pounds need be added to the yearling steer, while 600 pounds

### BREAK-EVEN FEEDER STEER PRICES<sup>1</sup>

Corn price \$ per bu.	Choice steers, \$ per cwt.				
	55	60	65	70	75
	Feeder steers, \$ per cwt.				
1.75.....	55	64	73	82	91
2.00.....	53	62	71	80	88
2.25.....	51	60	69	77	86
2.50.....	49	58	66	75	84
2.75.....	46	55	64	73	82
3.00.....	44	53	62	71	79
3.25.....	42	51	60	68	77
3.50.....	40	49	57	66	75

<sup>1</sup> Feeder steer prices consistent with break-even, given farm corn prices and prices for 600-pound medium frame No. 1 (Choice) feeder steers and 1,056-pound Choice fed steers. Assumes all other costs at September 1979 levels. (See Great Plains custom cattle feeding table in the Livestock and Meat Situation.)

# FARMERS' NEWSLETTER



November 79/L-14

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would have to be put on the lighter feeder calf.

At these prices, the yearling would be a slightly better choice for you. But the yearling's higher purchase price, interest rates on operating capital, and time on feed must also be considered. Also, a drop in feed costs and greater feeding efficiency would make the lighter calves more attractive.

For 1980, only moderate increases in slaughter cattle prices are likely. So it's important to closely monitor your costs, the factors affecting the demand for beef, and the options for placing different kinds of cattle on feed.

The economy is expected to slow considerably over the next six months and unemployment rates probably will rise.

A substantial rise in beef prices, such as occurred early in both 1978 and 1979, is highly unlikely during the first half of 1980.

Producers should not expect any significant increase in beef prices at least until next fall when it's expected that competition from other meats will decline and the economy will improve.

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The FARMERS' NEWSLINE, a companion service to agriculture of the Farmers' Newsletters, provides a 24-hour-a-day, 7-day-a-week update of the latest news to help you make production and marketing decisions.

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The 60-second news features on the FARMERS' NEWSLINE change each weekday at 4:00 p.m., Eastern time. The following stories will come on the line at 4:00 on the date listed and remain available for at least 24 hours.

Nov. 13	Crop Report Analysis
Nov. 14	Cattle on Feed Estimates
Nov. 15	Cattle on Feed Analysis
Nov. 16,17,18	Farm Finances
Nov. 19	Wheat Situation
Nov. 20	Crops & Weather Situation
Nov. 21,22	Livestock Situation
Nov. 23,24,25	Farm Exports

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